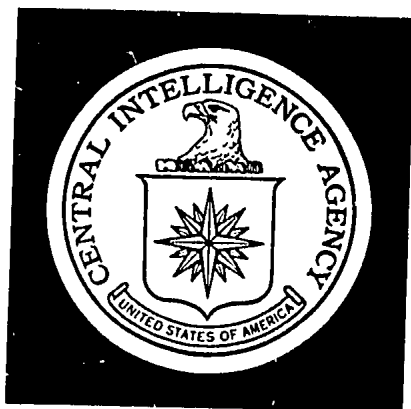


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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

*Prospects for Agriculture in Communist Countries
as of Late May 1968*

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
June 1968

INTELLIGENCE MEMORANDUM

Prospects for Agriculture in Communist Countries as of Late May 1968

Summary

Crop prospects as of late May were relatively good in the USSR, the northern countries of Eastern Europe,* and Communist China, but were below average in the southern countries of Eastern Europe. Production of wheat and of total grain in the USSR currently is expected to approximate the 1967 level. A repeat performance of the record 1966 crop does not appear likely at this time because of shortages of soil moisture in some important regions.

In the southern countries of Eastern Europe, an extended drought has sharply reduced yields of winter grains and threatens spring-planted crops. The production of breadgrains (wheat and rye) currently is estimated at 20 to 30 percent less than the bumper 1967 harvest and also below the annual average output for 1962-66, and if timely June rains are not received, production could be even lower. This situation contrasts sharply with the condition of winter grain and other crops in the northern countries, where final output could approach the high level of 1967, given normal precipitation during the June-July period.

The expected small wheat harvest in Rumania and Bulgaria will remove them as competitors of

* *The term Eastern Europe includes the northern countries of East Germany, Poland, and Czechoslovakia, and the southern countries of Albania, Bulgaria, Hungary, Rumania, and Yugoslavia.*

Note: This memorandum was produced solely by CIA. It was prepared by the Office of Economic Research.

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the United States in the international grain market this year. These two countries exported a total of about one million metric tons of wheat to Free World countries last year. It also is likely that Yugoslavia and Rumania will have to curtail exports of corn sharply during the year beginning 1 July 1968. Both countries are competitors of the United States in Western markets and usually sell small quantities to other East European countries. Bulgaria and Hungary may need to increase imports of corn or other feed concentrates in the coming year.

Weather conditions in most areas of Communist China have been favorable for the growth of crops in the first half of 1968. However, favorable growing conditions are being largely offset by the adverse effects of the Cultural Revolution on supplies of fertilizer, pesticides, and farm equipment. The early grain harvest this year probably will be no better than last year's average crop.

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USSR

1. Fall-sown grain crops in much of the European USSR -- the principal winter wheat region -- were seeded under low moisture conditions for the third year in a row. Timely precipitation and a late fall, however, permitted good development of seedlings over most, but not all, of the winter grain area, which is estimated to be about the same size as last year. Some winterkill of fall-sown grains occurred, but apparently overall losses did not greatly exceed normal levels.

2. Total precipitation in all major winter wheat areas between October 1967 and April 1968 was above average. Precipitation in the Ukraine and Moldavia during this period, however, was less than in the same period in the two preceding years. These regions, which constitute about 40 percent of the total winter wheat area, typically have yields that are among the highest in the USSR. Winter wheat areas in the RSFSR -- North Caucasus, Central, Central Black Soil, and Volga regions -- received more precipitation in the October-April period than a year ago. Weather during April and the beginning of May was dry over most of the winter wheat area. Precipitation during the remainder of May apparently was more general in the Ukraine than in the North Caucasus.

3. During much of April, warm temperatures in the southern European USSR enabled a timely rate of spring sowing of small grains, sugar beets, and sunflowers. Sowing was under way in northern European USSR by the end of April. Moisture conditions were probably generally adequate for germination and early growth of spring seedlings in all areas. Rainy weather during April in Central Asia caused some delay in cotton sowing. Spring wheat seeded by the end of May approximated last year's harvested acreage, and the seeding of other spring crops was proceeding at the 1967 pace.

4. Soil moisture reserves also vary in the spring grain region east of the Volga River. Conditions in Western Kazakhstan, the Volga region, and the Urals appear better than a year ago, but prospects in Eastern Kazakhstan and West Siberia are not as favorable as in recent years. The size

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of spring wheat and other spring seeded crops will be determined largely by weather conditions in the summer months.

5. The 1968 grain crop, particularly wheat, will benefit from increased application of fertilizers and other chemicals, larger seedings of grain on fallowed and stubble-mulch tilled land,* wider use of improved varieties, a greater inventory of farm machinery, and improved incentives to farm enterprises and workers.

Eastern Europe

6. The southern countries have been hit by one of the worst droughts in many years. As shown in the chart, soil moisture reserves in Bulgaria as of 30 April were as much as 50 percent below the long-run average. The hot, dry weather in April and early May was especially damaging to crops. It caught the winter grain in the critical heading stage, retarded growth of spring-sown grains, and delayed the planting of corn and industrial crops. In Yugoslavia, where corn planting normally is finished by 30 April, only 80 percent of the area had been planted by 10 May, as farmers waited for rain. Rains in mid-May provided temporary relief to most spring crops in parts of Yugoslavia, Bulgaria, and western Rumania but came too late to overcome previous drought damage to the winter grain crop. Yugoslavia and Bulgaria had announced by mid-May that wheat output might be 20 to 30 percent below last year; yields in neighboring countries are probably down an equal amount.

7. Although it is too early to assess fully the final impact of the drought on most spring-planted crops, there is no basis for optimism. Even with normal precipitation between now and harvesttime, the output of corn, sugar beets, potatoes, oilseeds, and forage crops will be below the level of the past two years. Albania, Bulgaria, Hungary, and Rumania

* *In stubble-mulch tillage the soil is cultivated in such a manner that a considerable part of the plant residue is left on the surface of the soil, which protects the soil against erosion and assists retention of moisture in the soil.*

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as recently as 23 May were exhorting farmers to maximize use of irrigation systems in order to minimize the effects of low soil moisture. Of these countries, however, only Bulgaria has a significant share of its land (25 percent) under irrigation, and only a small share of that land is used for grain.

8. No serious food shortages are likely to occur in the region, except possibly in Albania. Domestic consumers in all countries, however, can expect higher food prices. Shortages already are predicted for fruit and early vegetables, the prices of which are largely determined in the market place. Free market prices of dairy products may be expected to increase as poor pastures reduce milk yields. Moreover, because agricultural exports are an important source of foreign exchange in these countries, the governments are likely to give priority to the export market over the domestic market.

9. On the basis of current prospects for a smaller breadgrain harvest in Eastern Europe, import requirements will rise, but will be tempered by the fact that Bulgaria, Yugoslavia, Rumania, and to a lesser extent Hungary, have larger-than-normal carryovers of wheat following two excellent harvests. Nevertheless, all will need to import wheat, except possibly Rumania. Bulgaria already has purchased 200,000 metric tons from France and has a standing agreement with Canada for another 100,000 metric tons. Yugoslavia may be in the market for as much as 750,000 metric tons of wheat. Hungary's reserves of both food and feed grains are estimated to be insufficient, and imports may have to be increased over last year's level. Little or no change is expected in the grain import requirements of the major importing countries of East Germany, Poland, and Czechoslovakia. The current forecast of a relatively favorable wheat harvest in the Soviet Union suggests that its exports to Eastern Europe can be maintained at current levels in the year beginning 1 July 1968.

Communist China

10. Precipitation and soil moisture levels have been favorable in most of the important winter

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grain* areas in Communist China, except for those portions of East and South China hit by severe drought in the autumn and winter of 1967-68 and those areas of North China affected by heavy rain-fall in the autumn of 1967. As a result, some reduction in the acreage and yield of winter wheat, rape, and barley may have resulted from planting delays in these areas of North China and East and South China. In the latter areas, an unseasonably cold winter and spring have also severely damaged the early sweet potato crop.

11. The early rice crop, which accounts for about 50 percent of the early grain harvest,** appears to have been planted under favorable climatic conditions in most of the major early rice areas, with the exception of portions of East and South China. In these areas, drought conditions and an unseasonably cold spring resulted in delays in transplanting and seed rot. The late arrival of spring monsoon rains may have caused a reduction in the acreage planted to early rice.

12. Early autumn grains and industrial crops probably were planted under favorable climatic conditions in Southwest, Central, and North China. Northeast China, however, is suffering from drought, and present prospects for autumn grain and industrial crops are mediocre.

13. The adverse effects of the Cultural Revolution on agricultural inputs is a continuing concern for the regime. Reductions in the availability of new machinery, chemical fertilizer, and pesticides will largely offset the beneficial effects that favorable weather could have on crops grown during the first half of the year.

* Including crops such as winter wheat, miscellaneous grains, and tubers, which are sown in the autumn and early winter and harvested during the spring of the following year.

** The early grain harvest includes winter grains and early rice that is planted in the spring.

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**EASTERN EUROPE: SOIL MOISTURE AS OF 30 APRIL 1966-68
AS A PERCENT OF THE LONG-RUN AVERAGE**

